

OFFICE OF AUDITS & ADVISORY SERVICES



FIRESTORM 2007 EXPENDITURES SUBMITTED FOR FEMA/CALEMA REIMBURSEMENT VALIDATION AUDIT – OFFICE OF EMERGENCY SERVICES

FINAL AUDIT REPORT

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COUNTY OF SAN DIEGO
INTER-DEPARTMENTAL CORRESPONDENCE

June 3, 2010

TO: Ronald J. Lane, Director
Office of Emergency Services

FROM: James L. Pelletier
Chief of Audits

**FINAL REPORT: FIRESTORM 2007 EXPENDITURES SUBMITTED FOR FEMA/CALEMA
REIMBURSEMENT VALIDATION AUDIT – OFFICE OF EMERGENCY SERVICES**

Enclosed is our report on the Firestorm 2007 Expenditures Submitted for FEMA/CALEMA Reimbursement Validation Audit – Office of Emergency Services. We have reviewed your responses to our recommendations and have attached them to the audit report.

The actions taken, in general, are responsive to the recommendations in the report.

If you have any questions, please contact me at (858) 495-5661.

JAMES L. PELLETIER
Chief of Audits

AUD:FDL:aps

Enclosure

c: Raymond A. Fernandez, Deputy Chief Administrative Officer, Public Safety Group
Donald F. Steuer, Chief Financial Officer
Tracy M. Sandoval, Assistant Chief Financial Officer/Auditor and Controller
Dorothy Y. Thrush, Group Finance Director, Public Safety Group

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INTRODUCTION

Audit Objective

The Office of Audits & Advisory Services (OAAS) completed an audit of the Firestorm 2007 related expenditures claimed by the Office of Emergency Services (OES) for reimbursement. The objective of the audit was to provide reasonable assurance that adequate supporting documentation was maintained by the OES in a manner that reviewers could easily follow to prevent any material disallowance. The audit was requested by the Chief Financial Officer.

Background

Seven wildfires that started on October 21, 2007 caused extensive damage throughout the County of San Diego. Various County departments immediately mobilized employees to assist in multiple disaster-related activities. The Director, OES led the overall County operational efforts, while the Group Finance Director, Public Safety Group led the finance team. The Firestorm 2007's official incident period declared by the Federal Emergency Management Agency (FEMA) began on October 21, 2007 and ended on March 31, 2008. Applicable County departments subsequently submitted Project Worksheets (PWs) to FEMA and/or Damage Survey Reports (DSRs) to the California Emergency Management Agency (CalEMA) to claim the eligible expenditures for reimbursement.

The OES submitted ten claims amounting to \$2,981,856 of costs incurred for donations, labor, mutual aid, Quality First, supplies, and services resulting from the October 2007 wildfires. The FEMA/CalEMA project officers assigned ALL 150, ALL 159, DSR 1834, OES 42, OES 42-2, OES 42-3, OES 152, OES 154, OES 156, and OES 158 as claim tracking numbers.

Audit Scope & Limitations

OAAS' review was based on the information on PWs and DSRs submitted by the OES. The eligibility determinations were made by the FEMA/CalEMA project officers assigned to the OES, not by OAAS.

This audit was conducted in accordance with auditing standards prescribed by the Institute of Internal Auditors, Inc., as required by California Government Code, Section 1236.

Methodology

OAAS reviewed the PWs and/or DSRs, and the supporting documentation to verify the following:

- The supporting documentation is organized, titled, and cross-referenced to the line items listed on each PW or DSR;
- The Damage Description and Scope of Work agree to the types of expenses reported on the PW or DSR;
- The total amount reported on the PW or DSR reconcile to the amount provided in the supporting documentation;

- The labor hours and rates reported on the PW are reconciled to the payroll records;
- The labor costs and related benefits were correctly calculated and properly supported; and
- The purchases were correctly calculated and properly supported.

AUDIT RESULTS

Summary

OAAS' review found that certain elements of the supporting documentation for Firestorm 2007 expenditures were incomplete or inaccurate as described in the findings below.

Finding I:

Supporting Documentation for Fringe Benefit Rates were Based on Estimates

Review of labor claims included in ALL150, OES 154, and DSR 1834 identified that supporting documentation was based on estimated retirement and Workers Compensation benefit rates. While there is little variance between the estimated and actual amounts, supporting documentation must be based on actual costs incurred. Additionally, based on a judgmental sample, certain other errors related to labor costs were noted, including:

- Basic overtime costs for three employees (six hours of labor each), were miscalculated at a rate of one-and-a-half instead of straight time;
- An incorrect pay rate was applied to 25.8 labor hours;
- One employee had 75.3 hours of labor that were claimed twice; and,
- Regular labor costs, which are not eligible for reimbursement, were claimed to CalEMA in DSR 1834.

FEMA and CalEMA provide guidance related to labor costs. The guidance outlines that only actual labor costs (and labor rates) incurred and paid are eligible for reimbursement at the time of claim close-out. FEMA guidance also requires that fringe costs claimed be disclosed by their components (e.g., Social Security and Medicare), by employee. Finally, per Chapter 6 §2910 of the California Disaster Assistance Act, CalEMA does not have the authority to reimburse regular labor costs.

Recommendation:

The OES should consider updating the support for all labor claims with documentation that reflects actual costs incurred and paid. Any difference between the estimated and actual costs should be adjusted in the claim. Labor and fringe costs claimed should be disclosed by their components as incurred by employee. Finally, the OES should consider either preparing a justification for claiming regular labor to CalEMA or adjust DSR 1834 to remove regular labor costs.

Finding II: Certain Supporting Documentation was Not Prepared for Emergency Purchases

PWs OES 42, OES 42-2, OES 42-3, OES 152, OES 156, and OES 158 claim emergency purchases made through Purchasing and Contracting (P&C). Experienced Procurement Specialists followed P&C's standard purchasing policies and processes which, when possible during the emergency, included:

- Obtaining multiple quotes;
- Using existing, competitively awarded contracts;
- Using reliable known suppliers from a qualified emergency supplier listing; and,
- Performing other research as necessary.

However, the analysis of fair and reasonable costs was not formally documented as required by FEMA guidance. FEMA guidance requires that costs claimed should be fair and reasonable which includes that an analysis should be conducted and included in the supporting documentation.

Recommendation: OES and P&C should work together to document the analysis performed for the purchases that were made.

COMMENDATION

The Office of Audits & Advisory Services commends and sincerely appreciates the courteousness and cooperation extended by the officers and staff of the Office of Emergency Services throughout this audit.

Office of Audits & Advisory Services

Compliance **R**eliability **E**ffectiveness **A**ccountability **T**ransparency **E**fficiency

VALUE

DEPARTMENT'S RESPONSE



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June 1, 2010

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**OFFICE OF AUDITS &
ADVISORY SERVICES**

TO: James L. Pelletier
Chief of Audits

FROM: Ronald Lane, Director
Office of Emergency Services

**DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: FIRESTORM 2007
EXPENDITURES SUBMITTED FOR FEMA/CALEMA REIMBURSEMENT VALIDATION
AUDIT – OFFICE OF EMERGENCY SERVICES (OES)**

Finding I: Supporting Documentation for Fringe Benefits Rates were based on Estimates

OAAS Recommendation: The OES should consider updating the support for all labor claims with documentation that reflects actual costs incurred and paid. Any difference between the estimated and actual costs should be adjusted in the claim. Labor and fringe costs claimed should be disclosed by their components as incurred by employee. Finally, the OES should consider either preparing a justification for claiming regular labor to CalEMA or adjust DSR 1834 to remove regular labor costs.

Action Plan: The OES agrees with the audit recommendation and has updated the support for all labor claims with documentation that reflects actual costs incurred and paid. Labor and fringe costs claimed are disclosed by their components as incurred by employee. Errors related to labor costs that were noted in the audit report were corrected. As the result of other available funding, DSR 1834 will be withdrawn from the final claim to CalEMA.

Planned Completion Date: Corrective action has already taken place. The revised supporting documents are included in the department's file.

Contact Information for Implementation: Madeline Cabell, Senior Accountant, Office of Emergency Services and Michelle Vicente, Administrative Analyst, Public Safety Group

Finding II: Certain Supporting Documentation was Not Prepared for Emergency Purchases

OAAS Recommendation: OES and the Department of Purchasing and Contracting (P&C) should work together to document the analysis performed for the purchases that were made.

Unified San Diego County Emergency Services Organization

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Action Plan: The OES agrees with the audit recommendation. The OES will coordinate with P&C to develop a plan to address fully documenting the analysis of fair and reasonable cost for purchases made during a disaster. .

Planned Completion Date: Corrective action in progress with an anticipated completion date of June 30, 2010 for plan completion. The Public Safety Group Finance Director together with the OES Director is communicating with Purchasing and Contracting staff to devise a strategy to document the analysis performed for purchases that were made during this emergency, as well as in future emergencies.

Contact Information for Implementation: Madeline Cabell, Senior Accountant, Office of Emergency Services and Michelle Vicente, Administrative Analyst, Public Safety Group

If you have any questions, please contact me at (858) 715-2201.

Sincerely,



Ronald Lane, Director

c: Raymond Fernandez, Deputy Chief Administrative Officer, Public Safety Group
Dorothy Thrush, Group Finance Director, Public Safety Group
Winston McColl, Director, Purchasing and Contracting
Ken Carstens, Purchasing Manager, Purchasing and Contracting